

**REPORT OF THE AUDIT OF THE
LEWIS COUNTY
SHERIFF'S SETTLEMENT - 2001 TAXES**

June 10, 2002



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AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flanery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable George Plummer, Lewis County Judge/Executive

Honorable Bill Lewis, Lewis County Sheriff

Members of the Lewis County Fiscal Court

The enclosed report prepared by Berger & Ross, PLLC, Certified Public Accountants, presents the Lewis County Sheriff's Settlement - 2001 Taxes.

We engaged Berger & Ross, PLLC, to perform the financial audit of this statement. We worked closely with the firm during our report review process; Berger & Ross, PLLC, evaluated the Lewis County Sheriff's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett".

Edward B. Hatchett, Jr.

Auditor of Public Accounts

Enclosure



**AUDIT EXAMINATION OF THE
LEWIS COUNTY
SHERIFF'S SETTLEMENT - 2001 TAXES**

June 10, 2002

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EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
LEWIS COUNTY
SHERIFF'S SETTLEMENT - 2001 TAXES

June 10, 2002

Berger & Ross, PLLC has completed the audit of the Sheriff's Settlement - 2001 Taxes for Lewis County Sheriff as of June 10, 2002. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

Sheriff collected net taxes of \$2,257,307 for the districts for 2001 taxes. Sheriff distributed taxes of \$2,257,161 to the districts for 2001 Taxes. Taxes of \$232 are due to the districts from the Sheriff and refunds of \$785 are due to the Sheriff from the taxing districts.

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities or bonds.

CONTENTS

PAGE

INDEPENDENT AUDITOR'S REPORT	1
SHERIFF'S SETTLEMENT - 2001 TAXES.....	3
NOTES TO FINANCIAL STATEMENT	5
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	9



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Independent Auditor's Report

We have audited the Lewis County Sheriff's Settlement - 2001 Taxes as of June 10, 2002. This tax settlement is the responsibility of the Lewis County Sheriff. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Lewis County Sheriff's taxes charged, credited, and paid as of June 10, 2002, in conformity with the modified cash basis of accounting.

To the People of Kentucky

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T. Kevin Flanery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable George Plummer, Lewis County Judge/Executive

Honorable Bill Lewis, Lewis County Sheriff

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In accordance with Government Auditing Standards, we have also issued our report dated October 18, 2002, on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Berger & Ross", with a long horizontal flourish extending to the right.

Berger & Ross, PLLC

Audit fieldwork completed -
October 18, 2002

LEWIS COUNTY
BILL LEWIS, SHERIFF
SHERIFF'S SETTLEMENT - 2001 TAXES

June 10, 2002

	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
<u>Charges</u>				
Real Estate	\$ 255,843	\$ 292,428	\$ 817,501	\$ 271,831
Tangible	11,372	12,848	33,067	24,147
Intangible	-	-	-	4,501
Fire Acreage	5,271	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Per Sheriff's Official Receipt	\$ 272,486	\$ 305,276	\$ 850,568	\$ 300,479
 <u>Other Taxes and Charges</u>				
Bank Shares	\$ 23,674	\$ -	\$ -	\$ -
Franchise Corporation	135,668	140,675	404,115	-
Penalties & Interest	2,652	3,034	8,386	2,798
	<hr/>	<hr/>	<hr/>	<hr/>
Gross Chargeable to Sheriff	\$ 434,480	\$ 448,985	\$ 1,263,069	\$ 303,277
 <u>Credits</u>				
Exonerations	\$ 1,502	\$ 2,964	\$ 4,797	\$ 1,534
Delinquents	10,046	11,271	31,701	10,548
Unpaid Franchises	396	455	1,143	-
Discounts	4,023	3,924	10,966	3,705
	<hr/>	<hr/>	<hr/>	<hr/>
Total Credits	\$ 15,967	\$ 18,614	\$ 48,607	\$ 15,787
 Net Tax Yield	\$ 418,513	\$ 430,371	\$ 1,214,462	\$ 287,490
Less: Commissions*	18,074	14,371	48,578	12,506
	<hr/>	<hr/>	<hr/>	<hr/>
Taxes Due Districts	\$ 400,439	\$ 416,000	\$ 1,165,884	\$ 274,984
Taxes Paid	400,955	415,147	1,214,646	274,991
Less: Refunds (Current & Prior Years)	-	699	-	-
Add: Commission Refunds From School	-	-	48,578	-
	<hr/>	<hr/>	<hr/>	<hr/>
Taxes Due Districts (or Refund Due Sheriff)		**		
as of Completion of Fieldwork	\$ (516)	\$ 154	\$ (184)	\$ (7)
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* and ** See Page 4

LEWIS COUNTY
BILL LEWIS, SHERIFF
SHERIFF'S SETTLEMENT - 2001 TAXES
June 10, 2002
(Continued)

*Commissions:	10% on	\$	10,000
	4.25% on	\$	1,005,760
	4% on	\$	1,214,462
	1% on	\$	120,614
**Special Taxing Districts:			
Library District		\$	175
Health District			27
Extension Service District			(73)
Black Oak Fire District			(4)
Camp Dix Fire District			8
Firebrick Fire District			6
Garrison Fire District			8
Kinniconick Fire District			8
Tollesboro Fire District			(1)
			<hr/>
Due Districts or (Refunds Due Sheriff)		\$	<u><u>154</u></u>

LEWIS COUNTY
NOTES TO FINANCIAL STATEMENT

June 10, 2002

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue, which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue, which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of November 9, 2001, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bond which named the Sheriff as beneficiary/obligee on the bond.

LEWIS COUNTY
NOTES TO FINANCIAL STATEMENT
June 10, 2002
(Continued)

Note 3. Tax Collection Period

Property Taxes

The real and personal property tax assessments were levied as of January 1, 2001. Property taxes were billed to finance governmental services for the year ended June 30, 2002. Liens are effective when the tax bills become delinquent. The collection period for these assessments was September 27, 2001 through April 30, 2002.

Note 4. Interest Income

The Lewis County Sheriff earned \$1,501 as interest income on 2001 taxes. As of October 18, 2002, the Sheriff is due from his fee account \$98 in interest, and the Sheriff owes the Common School \$94 in interest.

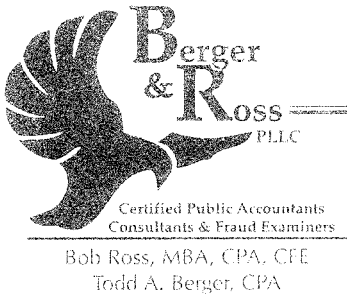
Note 5. Sheriff's 10% Add-On Fee

The Lewis County Sheriff collected \$12,377 of 10% add-on fees allowed by KRS 134.430(3). This amount was used to operate the Sheriff's office.

Note 6. Advertising Costs And Fees

The Lewis County Sheriff collected \$831 of advertising costs and fees allowed by KRS 424.330(1) and KRS 134.440(2). The Sheriff distributed the advertising costs to the county as required by statute, and the advertising fees were used to operate the Sheriff's office.

REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



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Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the Lewis County Sheriff's Settlement - 2001 Taxes as of June 10, 2002, and have issued our report thereon dated October 18, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Lewis County Sheriff's Settlement - 2001 Taxes as of June 10, 2002 is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Lewis County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Berger & Ross", with a long horizontal flourish extending to the right.

Berger & Ross, PLLC

Audit fieldwork completed -
October 18, 2002

